

BY EMAIL

3 February 2011

Philip Newsome  
Commission For Energy Regulation

Andrew McCorriston  
Northern Ireland Authority for Utility Regulation

Dear Mr Newsome,  
Dear Mr McCorriston,

### **ELEXON's response to the consultation on the treatment of the East West and Moyle Interconnectors in the SEM**

This is ELEXON's response to the SEM Committee consultation issued 14 January 2011.

Our response is specifically related to the treatment of interconnectors in Great Britain (GB) under the Balancing and Settlement Code (the BSC). Our purpose in responding is to outline the current BSC arrangements and explain how they may be impacted by the introduction of the East West interconnector.

#### **Current BSC Interconnector arrangements**

For each Interconnector, notional Balancing Mechanism (BM) Units are established under the BSC to represent the import and export of energy from or to the GB Transmission System.

BSC Parties wishing to trade energy transferred over the Interconnector register themselves as Interconnector Users and are allocated with associated Interconnector BM Units. Prior to market gate closure, these users submit contract notifications into Settlement reflecting the purchase and sale of energy by that party.

Each physical Interconnector is associated with an Interconnector Administrator and an Interconnector Error Administrator, both of which are also BSC Parties. The Interconnector Administrator is responsible for determining and submitting BM Unit Metered Volumes into Settlement after the end of each Settlement Period. These represent the transfer of active energy across the interconnector and will be based on data provided by the Interconnected System Operator (i.e. the operator of the system external to the GB Transmission System). The Interconnector Administrator is also responsible for submitting Final Physical Notification (FPN) data to the GB System Operator.

The Interconnector Error Administrator manages any discrepancies between the summed BM Unit Metered Volumes and the total physical meter readings recorded at the Interconnector.

## Treating two interconnectors as one

Interconnector BM Units are currently registered against a specific Interconnector. This follows the general BSC principle that BM Units should represent the smallest aggregation of plant and apparatus that can be controlled and metered independently. Although Interconnector BM Units are somewhat special cases compared to other BM Unit types (e.g. generating units), the same principle applies.

However, even if the East West and Moyle Interconnectors were treated as one under the SEM, we believe they can still be treated as separate Interconnectors for the purposes of the BSC. Under this approach:

- New Interconnector BM Units would be established for the East West Interconnector;
- An associated Interconnector Administrator and Interconnector Error Administrator would be registered;
- Interconnector Users would be allocated with relevant BM Units;
- The Interconnector Administrators would be responsible for submitting agreed BM Unit Metered Volumes and FPNs relating to each Interconnector;
- Contract notifications would be submitted by Interconnector Users into Settlement as usual.

The key element of this approach would be the need for the Interconnected System Operators to agree the allocation of FPNs and Metered Volumes so they can be submitted by the Interconnector Administrators.

Maintaining this separation under the BSC brings a number of advantages for the GB market. It would ensure that the FPNs reported to the GB System Operator would remain distinct for each Interconnector, an important factor on the GB Transmission System given the distance between the two points of connection. The consultation notes the potential for zonal transmission losses in GB; under the current Settlement mechanisms these can only be applied properly if separate BM Units are maintained for each Interconnector. Furthermore, the separation would help to ensure that the Interconnector data published by the BSC's reporting services remain fully transparent, which may not be the case if the two Interconnectors were considered as one BM Unit.

We don't believe that this separation under the BSC prevents any joint arrangements being established under the SEM for capacity allocation, billing or scheduling.

## Conclusion

We have no view on whether the East West and Moyle Interconnectors should be treated jointly or separately under the SEM. However, we do believe that in either case, the two Interconnectors should be treated separately for the purposes of the BSC.

Please do not hesitate to contact me or my colleague, John Lucas, if you wish to discuss any aspect of this letter. I can be contacted on 020 7380 4038 or [steve.francs@elexon.co.uk](mailto:steve.francs@elexon.co.uk) and John Lucas can be contacted on 020 7380 4345 or [john.lucas@elexon.co.uk](mailto:john.lucas@elexon.co.uk).

Yours sincerely

Stephen Francis  
Design Authority